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ANNUAL FINANCIAL REPORT  
OF THE  
TOWN OF SUNSET, LOUISIANA  
FOR THE YEAR ENDED JUNE 30, 2006

Release Date: 3-28-67

**RICHARD C. URBAN**  
**CERTIFIED PUBLIC ACCOUNTANT**

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**INDEPENDENT AUDITOR'S REPORT**

**To the Mayor and Board of Aldermen  
Town of Sunset, Louisiana**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Sunset, Louisiana as of and for the year ended June 30, 2006, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Sunset, Louisiana's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Sunset, Louisiana, as of June 30, 2006, and the respective changes in financial position and cash flows, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated December 8, 2006, on our consideration of the Town of Sunset, Louisiana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The required supplementary information listed in the table of contents is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

The Town of Sunset, Louisiana has not presented management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Sunset, Louisiana's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. The accompanying supplemental information statements and schedules listed in the table of contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements of the Town of Sunset, Louisiana. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



Richard C. Urban, CPA

Opelousas, Louisiana  
December 8, 2006

## **BASIC FINANCIAL STATEMENTS**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS (GWFS)**

TOWN OF SUNSET, LOUISIANA  
STATEMENT OF NET ASSETS -  
June 30, 2006

ASSETS	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Cash and cash equivalents	\$ 121,033	\$ 8,127	\$ 129,160
Investments	14,657	21,069	35,726
Receivables (net of allowances for uncollectibles)	48,866	47,960	96,826
Internal balances	7,080		7,080
Prepaid items		1,186	1,186
Restricted assets		119,115	119,155
Capital assets (net)	<u>618,877</u>	<u>1,105,565</u>	<u>1,724,442</u>
<b>TOTAL ASSETS</b>	<u>810,513</u>	<u>1,303,022</u>	<u>2,113,535</u>
<b>LIABILITIES</b>			
Accounts, salaries , and other payables	\$ 46,394	\$ 17,081	\$ 63,475
Internal balances		9,641	9,641
Payable from restricted assets		50,992	50,992
Matured bonds and interest payable		229,610	229,610
Bonds payable	<u>40,000</u>		<u>40,000</u>
<b>TOTAL LIABILITIES</b>	<u>86,394</u>	<u>307,324</u>	<u>393,718</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	548,877	2,712,258	3,261,135
Restricted for debt service	23,200	15,300	38,500
Unrestricted	<u>122,042</u>	<u>(1,731,860)</u>	<u>(1,609,818)</u>
<b>TOTAL NET ASSETS</b>	<u>724,119</u>	<u>995,698</u>	<u>1,719,817</u>

The accompanying notes are an integral part of this statement.

TOWN OF SUNSET, LOUISIANA  
STATEMENT OF ACTIVITIES  
Year Ended June 30, 2006

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Primary government:					
Governmental activities:					
General government	\$277,224	\$ 7,293	\$	\$	\$(269,931)
Public safety:					
Police	442,485	73,742			(368,743)
Fire	131,497	3,328			(128,169)
Public services -street	200,129				(200,129)
Interest on long-term debt	<u>4,400</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>( 4,400)</u>
Total governmental activities	<u>1,055,735</u>	<u>84,363</u>	<u>-</u>	<u>-</u>	<u>(971,372)</u>
Business-type activities:					
Gas utilities	254,577	284,093			29,516
Water utilities	161,772	167,647		-	5,875
Sewer utilities	<u>249,922</u>	<u>108,767</u>	<u>-</u>	<u>-</u>	<u>(141,155)</u>
Total business-type activities	<u>666,271</u>	<u>560,507</u>	<u>-</u>	<u>-</u>	<u>(105,764)</u>
Total primary government	<u>\$1,722,006</u>	<u>\$644,870</u>	<u>-</u>	<u>-</u>	<u>\$(1,077,136)</u>

The accompanying notes are an integral part of this statement.



	Governmental	Primary Government Business-type	
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
Change in net assets:			
Net (expense) revenue	<u>\$(971,372)</u>	<u>\$(105,764)</u>	<u>\$(1,077,136)</u>
General revenues:			
Taxes:			
Sales taxes	243,275		243,275
Property taxes	95,896		95,896
Franchise fees	142,114		142,114
Licenses and permits	90,245		90,245
Intergovernmental	56,325		56,325
Miscellaneous	70,208		70,208
Unrestricted investment income	2,453	1,429	3,882
Transfers	<u>243,872</u>	<u>(243,872)</u>	<u>-</u>
Total general revenues and transfers	<u>944,388</u>	<u>(242,443)</u>	<u>701,945</u>
Change in net assets	( 26,984)	( 348,207)	( 375,191)
Net assets - beginning	<u>751,103</u>	<u>1,343,905</u>	<u>2,095,008</u>
Net assets - ending	<u>724,119</u>	<u>995,698</u>	<u>1,719,817</u>

## **FUND FINANCIAL STATEMENTS**

**GOVERNMENTAL FUNDS**

**TOWN OF SUNSET, LOUISIANA**  
**BALANCE SHEET, GOVERNMENTAL FUNDS**  
June 30, 2006

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 65,060	\$ 22,567	\$ 33,406	\$ 121,033
Investments	13,451		1,206	14,657
Property taxes receivable	2,596		277	2,873
Franchise fees receivable	32,020			32,020
Due from other governments	1,646			1,646
Other receivables	12,327			12,327
Due from other funds	<u>17,211</u>	<u>-</u>	<u>-</u>	<u>17,211</u>
Total assets	<u>144,311</u>	<u>22,567</u>	<u>34,889</u>	<u>201,767</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts, salaries, and other payables	\$ 46,394	\$	\$	\$ 46,394
Due to other funds	<u>-</u>	<u>-</u>	<u>10,131</u>	<u>10,131</u>
Total liabilities	<u>46,394</u>	<u>-</u>	<u>10,131</u>	<u>56,525</u>
Fund balances:				
Reserved for debt service			23,200	23,200
Unreserved, reported in:				
General fund	97,917			97,917
Special revenue fund		22,567		22,567
Debt service fund	<u>-</u>	<u>-</u>	<u>1,558</u>	<u>1,558</u>
Total fund balances	<u>97,917</u>	<u>22,567</u>	<u>24,758</u>	<u>145,242</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>144,311</u>	<u>22,567</u>	<u>34,889</u>	<u>201,767</u>

See accompanying notes to financial statements.

TOWN OF SUNSET, LOUISIANA  
RECONCILIATION OF THE GOVERNMENTAL FUNDS  
BALANCE SHEET TO THE GOVERNMENT-WIDE  
FINANCIAL STATEMENT OF NET ASSETS  
June 30, 2006

Amounts reported for governmental activities in the Statement of Net  
Assets are different because:

Fund Balances, Total Governmental Funds	\$ 145,242
Capital assets of \$1,579,224, net of accumulated depreciation of (\$960,347), are not financial resources and, therefore, are not reported in the funds.	618,877
Long-term liabilities of (\$40,000) are not due and payable in the current period and are not reported in the funds. See Note for detail. Other related amounts include bond interest payable	( <u>40,000</u> )
Net Assets of Governmental Activities	\$ <u>724,119</u>

The accompanying notes are an integral part of this statement.

TOWN OF SUNSET, LOUISIANA  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2006

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
<u>REVENUES</u>				
Sales taxes	\$	\$243,275	\$	\$243,275
Property taxes	75,730		20,166	95,896
Licenses and permits	90,245			90,245
Franchise fees	142,114			142,114
Charges for services	7,293			7,293
Fines and forfeits	73,742			73,742
Investment income	2,059	102	292	2,453
Intergovernmental	56,325			56,325
Other	<u>73,531</u>	<u>-</u>	<u>5</u>	<u>73,536</u>
Total Revenues	<u>521,039</u>	<u>243,377</u>	<u>20,463</u>	<u>784,879</u>
<u>EXPENDITURES</u>				
General government	289,646	10,005	1,090	300,741
Public safety:				
Police	430,956			430,956
Fire	149,074			149,074
Public services-street	239,987			239,987
Debt service	<u>-</u>	<u>-</u>	<u>19,400</u>	<u>19,400</u>
Total Expenditures	<u>1,109,663</u>	<u>10,005</u>	<u>20,490</u>	<u>1,140,158</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(588,624)	233,372	( 27)	( 355,279)
<u>OTHER FINANCING SOURCES</u>				
<u>(USES)</u>				
Transfers in	483,402		7,200	490,602
Transfers out	<u>-</u>	<u>(246,730)</u>	<u>-</u>	<u>(246,730)</u>
Total Other Financing Sources and (Uses)	<u>483,402</u>	<u>(246,730)</u>	<u>7,200</u>	<u>243,872</u>

The accompanying notes are an integral part of this statement.

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
Net Change in Fund Balances	(105,222)	( 13,358)	7,173	(111,407)
Fund balances, beginning	<u>203,140</u>	<u>35,925</u>	<u>17,585</u>	<u>256,650</u>
Fund balances, ending	<u>97,918</u>	<u>22,567</u>	<u>24,758</u>	<u>145,243</u>

TOWN OF SUNSET, LOUISIANA  
RECONCILIATION OF THE STATEMENT OF  
REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL  
FUNDS TO THE STATEMENT OF ACTIVITIES  
Year Ended June 30, 2006

Amounts reported for governmental activities in the Statement  
of Activities are different because:

Net Change in Fund Balances - Total Governmental Funds	\$(111,407)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by capital outlays of \$166,654 exceeded depreciation of (\$97,231) in the current period.	69,423
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	<u>15,000</u>
Change in net assets of governmental activities	<u><u>\$( 26,984)</u></u>

The accompanying notes are an integral part of this statement.



TOWN OF SUNSET, LOUISIANA  
STATEMENT OF NET ASSETS, PROPRIETARY FUNDS  
June 30, 2006

ASSETS	<u>Utility Fund</u>
Current Assets:	
Cash and cash equivalents	\$ 8,127
Investments	21,069
Accounts receivable, net	47,960
Prepaid items	1,186
Restricted assets	<u>119,115</u>
Total Current Assets	<u>197,457</u>
Non-Current Assets:	
Capital assets (net of accumulated depreciation)	<u>1,105,565</u>
Total Non-Current Assets	<u>1,105,565</u>
 TOTAL ASSETS	 <u>1,303,022</u>
 <b>LIABILITIES</b>	
Current liabilities:	
Accounts, salaries, and other payables	17,081
Due to other funds	<u>9,641</u>
Total Current Liabilities	<u>26,722</u>
Current Liabilities Payable from Restricted Assets	<u>72,681</u>
Non-Current Liabilities:	
Revenue bonds	<u>207,921</u>
Total Non-Current Liabilities	<u>207,921</u>
 <b>NET ASSETS</b>	
Invested in capital assets, net of related debt	2,712,258
Restricted for debt service	15,300
Unrestricted (deficit)	<u>( 1,731,860)</u>
 TOTAL NET ASSETS	 \$ 995,698 <u>=====</u>

The accompanying notes are an integral part of this statement.

TOWN OF SUNSET, LOUISIANA  
STATEMENT OF REVENUES, EXPENSES AND CHANGES  
IN NET ASSETS, PROPRIETARY FUNDS  
Year Ended June 30, 2006

<b>Operating Revenues</b>	<u>Utility Fund</u>
Charges for services:	
Gas sales	\$ 272,247
Water sales	164,930
Sewer charges	108,765
Penalties and late fees	11,846
Other income	<u>2,718</u>
Total Operating Revenues	<u>560,506</u>
<b>Operating Expenses</b>	
Cost of sales and services	194,376
Administration	284,896
Depreciation	<u>174,462</u>
Total Operating Expenses	<u>653,734</u>
<b>Operating Income (Loss)</b>	( <u>93,228</u> )
<b>Nonoperating Revenues (Expenses)</b>	
Interest earnings	1,429
Interest expense	( <u>12,536</u> )
Total Nonoperating Revenue (Expenses)	( <u>11,107</u> )
<b>Income (Loss) Before Contributions and Transfers</b>	( 104,335 )
Transfers Out	( <u>243,872</u> )
<b>Change in Net Assets</b>	( 348,207 )
Total Net Assets, Beginning	<u>1,343,905</u>
Total Net Assets, Ending	<u>\$ 995,698</u>

The accompanying notes are an integral part of this statement.

TOWN OF SUNSET, LOUISIANA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
Year Ended June 30, 2006

	<u>Utility Fund</u>
<b>Cash Flows From Operating Activities</b>	
Receipts from customers and users	\$ 628,310
Payments to suppliers	( 410,130)
Payments to employees	( 51,693)
Net Cash Provided by Operating Activities	<u>166,487</u>
<b>Cash Flows From NonCapital Financing Activities</b>	
Transfers to other funds	( 243,872)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>( 243,872)</u>
<b>Cash Flows From Capital and Related Financing Activities</b>	
Acquisition and construction of capital assets	( 140,024)
Principal paid on capital debt	( 22,385)
Interest paid on capital debt	( 12,536)
Customer deposits	11,179
Reserve account requirements	( 18,188)
Net Cash Provided (Used) by Capital and Related Financing Activities	( 181,954)
<b>Cash Flows From Investing Activities</b>	
Interest received	<u>605</u>
Net Cash Provided (Used) by Investing Activities	<u>605</u>
Net Increase (Decrease) in Cash and Cash Equivalents	( 258,734)
Cash and Cash Equivalents, Beginning of Year	<u>266,861</u>
Cash and Cash Equivalents, End of Year	<u><u>8,127</u></u>

The accompanying notes are an integral part of this statement.

	<u>Utility Fund</u>
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities</b>	
Operating income (loss)	\$ ( 93,228)
Depreciation expense	174,462
(Increase) decrease in accounts receivable	67,804
Increase (decrease) in due to other funds	6,501
Increase (decrease) in accounts payable	<u>10,948</u>
Total adjustments	<u>259,715</u>
Net Cash Provided (Used) by Operating Activities	<u><u>166,487</u></u>

TOWN OF SUNSET, LOUISIANA  
STATEMENT OF FIDUCIARY NET ASSETS  
June 30, 2006

	<u>Payroll Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 577
Due from other funds	<u>9,641</u>
Total Assets	<u>10,218</u>
<b>LIABILITIES</b>	
Payroll taxes payable	-
Due to other funds	<u>10,218</u>
Total Liabilities	<u>10,218</u>
<b>NET ASSETS</b>	
Held in trust for:	<u>-</u>

The accompanying notes are an integral part of this statement.

TOWN OF SUNSET, LOUISIANA  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
For the Year Ended June 30, 2006

	<u>Payroll Fund</u>
<b>Additions</b>	
Contributions from other funds	\$ 573,907
Court duty reimbursements	<u>195</u>
Total Additions	<u>574,102</u>
<b>Deductions</b>	
Salaries and benefits	<u>574,102</u>
Total Deductions	<u>574,102</u>
Change in Net Assets	<u>-</u>
Net Assets, Beginning	<u>-</u>
Net Assets, Ending	<u><u>-</u></u>

The accompanying notes are an integral part of this statement.

Town of Sunset, Louisiana  
Notes to the Financial Statements (Continued)

TOWN OF SUNSET, LOUISIANA

Notes to the Financial Statements  
As of and for the Year Ended June 30, 2006

**INTRODUCTION**

The Town of Sunset is a municipal corporation governed by an elected mayor. The Town was incorporated under the provisions of the Lawrason Act. The Town operates under a Mayor-Board of Aldermen form of government.

The Board consists of five elected members. The Mayor and Board are compensated for their services at an amount legally set by the Board annually.

The Town of Sunset, Louisiana is located in south central St. Landry Parish and contains approximately 3.2 square miles. The Town has a population of 2,506.

The Town's utility system provides gas, water and sewer services to approximately 1,101 customers. The Town employs twenty full and part-time workers. The Town is responsible for maintaining approximately 21 miles of streets within its city limits.

GASB Statement No. 14, *The Reporting Entity*, established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the municipality is considered a primary government, since it is a special purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. As used in GASB Statement No. 14, fiscally independent means that the municipality may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges, and issue bonded debt. The municipality has no component units and therefore, none are presented in the government-wide financial statements.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meetings the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessment receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The municipality reports the following major governmental funds:

The General Fund is the municipality's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund

The Sales Tax Fund accounts for the collection of sales taxes designated for the construction, improvement, maintenance and acquisition of Town infrastructure, as well as the necessary acquisition and improvements of public works facilities and public safety facilities and equipment.

The Debt Service Fund accounts for the accumulated of financial resources for the payment of principal and interest on the Town's general obligation debt. The Town annually levies ad valorem taxes restricted for the retirement of general obligation bonds, interest, and judgements. This fund reports all ad valorem taxes collected.

The municipality reports the following major proprietary funds:

The Utility Fund accounts for the operating activities of the Town's gas, water and sewer services.

Additionally, the government reports the following fund types:

The Fiduciary Fund (Payroll Fund) accounts for the Town's payroll and related expenses.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the governments enterprise operations. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.



**Town of Sunset, Louisiana**  
**Notes to the Financial Statements (Continued)**

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The Town's utility system provides gas, water and sewer services to its customers. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the municipality's policy to use restricted resources first, then unrestricted resources as they are needed.

**C. Deposits and Investments**

The municipality's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. State law and the municipality's investment policy allow the municipality to invest in collateralized certificates of deposits, government backed securities, commercial paper, the state sponsored investment pool, and mutual funds consisting solely of government backed securities.

Investments for the municipality, as well as for its component units, are reported at fair value. The state investment pool (LAMP) operates in accordance with state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

**D. Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of an allowance for uncollectibles. The Town bases its allowance on prior experience and the amount trade receivables exceed meter deposits.

Property taxes are levied on a calendar year basis and become due on January 1 of each year. The following is a summary of authorized and levied ad valorem taxes:

<u>Taxes Due For:</u>	<u>Authorized and Levied Millage</u>
General tax (General Fund)	7.35 mills
Special tax (Debt Service Fund)	1.88 mills

**Sales Taxes** The Town of Sunset has dedicated the proceeds of its 1% sales and use tax to the purpose of constructing and purchasing fire department stations and equipment; opening, constructing and improving drains, drainage canals and subsurface drainage; constructing, acquiring or improving any work of public permanent improvement; and purchasing and acquiring all equipment and furnishing for the public works, buildings, improvements and facilities of the Town of Sunset.

**E. Inventories and Prepaid Items**

All inventories are valued at cost using the first-in/first-out method. Inventories of the governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**F. Restricted Assets**

Certain proprietary fund assets are legally restricted for the payment of revenue bonds as well as for the refunding of customer meter deposits.

Town of Sunset, Louisiana  
Notes to the Financial Statements (Continued)

**G. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are capitalized at historical cost or estimated cost (the extent to which fixed asset costs have been estimated and the methods of estimation should be disclosed) if historical cost is not available (or describe other method of valuation). Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The municipality maintains a threshold level of \$1,000 or more for capitalizing capital assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest costs were capitalized during the fiscal year ended June 30, 2006.

All capital assets, other than land, are depreciated using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Roads, bridges, and infrastructure	5- 20 years
Land improvements	5- 20 years
Buildings and building improvements	10-20 years
Furniture and fixtures	3- 5 years
Vehicles	3- 5 years
Equipment	3- 5 years

**H. Compensated Absences**

The municipality has the following policy relating to vacation and sick leave:

Full-time, permanent employees are granted vacation benefits in varying amounts to specified maximums depending on tenure with the Town. Sick leave accrues to full-time, permanent employees to specified maximums. Generally, after one year of service, employees are entitled to a percentage of their sick leave balance and all accrued vacation leave upon termination.

The Town's employees earned and used their vacation and sick leave during the fiscal year. Therefore, no provision for compensated absences has been provided for in the financial statements.

**I. Long-Term Obligations**

In the government-wide financial statements, and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Town of Sunset, Louisiana  
Notes to the Financial Statements (Continued)

**J. Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**K. Comparative Data/Reclassifications**

Comparative total data for the prior year have been presented only for the utility fund in the other supplemental information financial statements in order to provide an understanding of the changes in the financial position and operations of this fund. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

**L. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events within the control of the municipality, which are either unusual in nature or infrequent in occurrence.

**M. Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

**N. Reconciliations of Government-Wide and Fund Financial Statements**

The following reconciles the fund balances of governmental funds to the government-wide statement of net assets.

Bond-related adjustments	\$( 40,000)
Capital assets net of accumulated depreciation	<u>618,877</u>
Net adjustment	<u>578,877</u>

The following reconciles the net changes in fund balance-total governmental funds to the changes in net assets of governmental activities.

Difference by which capital outlay exceeds depreciation expense	\$ 69,423
Bond principal paid	<u>15,000</u>
Net adjustment	<u>84,423</u>

**2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**BUDGET INFORMATION** The municipality uses the following budget practices:

1. The Mayor prepares a proposed, detailed line item, budget and submits same to the Board of Aldermen no later than thirty days prior to the beginning of each fiscal year. Revenues are budgeted by source. Expenditures are budgeted by department and class.
2. A summary of the proposed budget is published and the public notified that the proposed budget is available for public inspection.
3. A public hearing is held on the proposed budget at least ten days after publication of the call for the hearing.
4. After the holding of the public hearing and completion of all action necessary to finalize and implement the budget, the budget is adopted through passage of an ordinance prior to the commencement of the fiscal year for which the budget is being adopted.

**Town of Sunset, Louisiana**  
**Notes to the Financial Statements (Continued)**

5. Any budgetary revisions require the approval of the Mayor and Board of Aldermen. Revisions to the budget were made throughout the year.
6. Unencumbered appropriations for annually budgeted funds lapse at fiscal year-end.

**EXCESS OF EXPENDITURES OVER APPROPRIATIONS** The following individual funds had actual expenditures over budgeted appropriations for the year ended June 30, 2006:

<u>Fund</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Unfavorable Variance</u>
General Fund	951,740	951,740	1,109,663	157,923

No individual funds had deficits in unreserved fund balance (net assets) at June 30, 2006.

**3. CASH AND CASH EQUIVALENTS**

At June 30, 2006, the municipality has cash and cash equivalents (book balances) totaling \$224,230 as follows:

Demand deposits	\$ 220,583
Interest-bearing demand deposits	2,927
Other	<u>720</u>
Total	<u>224,230</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

At June 30, 2006, the municipality has \$223,510 in deposits (collected bank balances). These deposits are secured from risk by \$184,595 of federal deposit insurance and \$100,000 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3).

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 3, R.S. 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the municipality that the fiscal agent has failed to pay deposited funds upon demand.

**4. INVESTMENTS**

Investments are categorized into these three categories of credit risk:

1. Insured or registered, or securities held by the municipality or its agent in the municipality's name
2. Uninsured and unregistered, with securities held by the counter party's trust department or agent in the municipality's name
3. Uninsured and unregistered, with securities held by the counter party, or by its trust department or agent but not in the municipality's name

At fiscal year-end, the municipality's investment balances were as follows:

Time certificates of deposit	\$ 59,811	Category 1
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All investments are secured by the same pledge of securities indicated under cash and cash equivalents.

Town of Sunset, Louisiana  
Notes to the Financial Statements (Continued)

**5. RECEIVABLES**

The receivables of \$96,826 at June 30, 2006, are as follows:

<u>Class of Receivable</u>	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Enterprise Fund</u>	<u>Total</u>
Ad valorem taxes	\$ 2,596	\$ 278	\$	\$ 2,874
Franchise fees	32,020			32,020
Intergovernmental	1,646			1,646
Accounts			47,960	47,960
Other	<u>12,326</u>	<u>--</u>	<u>-</u>	<u>12,326</u>
Total	<u>48,588</u>	<u>278</u>	<u>47,960</u>	<u>96,826</u>

**6. INTERFUND RECEIVABLES/PAYABLES**

Interfund receivables/payables at June 30, 2006, are as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 17,211	
Debt Service Fund		\$ 10,131
Enterprise Fund		9,641
Fiduciary Fund	9,641	7,080

All interfund receivables/payables are expected to be cleared within the next fiscal year.

Town of Sunset, Louisiana  
Notes to the Financial Statements (Continued)

7. CAPITAL ASSETS

Capital assets and depreciation activity as of and for the year ended June 30, 2006, for the primary government is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 75,841			\$ 75,841
Construction in progress				
Total capital assets, not being depreciated	75,841			75,841
Capital assets being depreciated				
Buildings	362,603			362,603
Improvements other than buildings	46,254	54,708		100,962
Machinery and equipment	927,872	111,946		1,039,818
Total capital assets being depreciated	1,336,729	166,654		1,503,383
Less accumulated depreciation for:				
Buildings	245,878	11,588		257,466
Improvements other than buildings	14,089	1,162		15,251
Machinery and equipment	603,139	84,481		687,620
Total accumulated depreciation	863,116	97,231		960,347
Total capital assets being depreciated, net	473,613	69,423		543,036
Business-type activities:				
Capital assets not being depreciated				
Land	50,210			50,210
Total capital assets not being depreciated	50,210			50,210
Capital assets being depreciated				
Utility system and extensions	5,220,169	140,024		5,360,193
Machinery and equipment	38,001			38,001
Total capital assets being depreciated	5,258,170	140,024		5,398,194
Less accumulated depreciation for:				
Utility system and extensions	4,132,772	173,376		4,306,148
Machinery and equipment	35,605	1,086		36,691
Total accumulated depreciation	4,168,377	174,462		4,342,839
Total business-type assets being depreciated, net	1,089,793	( 34,438)		1,055,355

Depreciation expense of \$332,005 for the year ended June 30, 2006, was charged to the following governmental functions:

General Fund:		Utility Fund:	
Police	\$ 19,953	Water	\$ 31,624
Fire	63,189	Gas	4,235
Street	5,028	Sewer	138,603
General and administrative	9,061		

Town of Sunset, Louisiana  
Notes to the Financial Statements (Continued)

**8. INTERFUND RECEIVABLES, PAYABLE, AND TRANSFERS**

The composition of interfund balances as of June 30, 2006 is as follows:

Due To/From Other Funds:		
Receivable Fund	Payable Fund	
General Fund	Debt Service Fund	\$10,131
General Fund	Fiduciary Fund	7,080
Fiduciary Fund	Enterprise Fund	9,641
Total		26,852
Advances From/To Other Funds:		
Receivable Fund	Payable Fund	
General Fund	Enterprise Fund	236,672
Debt Service Fund	Enterprise Fund	7,200
Total		243,872

**9. ACCOUNTS, SALARIES, AND OTHER PAYABLES**

The payables of \$63,475 at June 30, 2006, are as follows:

	<u>General Fund</u>	<u>Utility Fund</u>
Accounts	\$ 46,394	\$ 17,081
Total	<u>46,394</u>	<u>17,081</u>

**10. LONG-TERM OBLIGATIONS**

The following is a summary of the long-term obligation transactions for the year ended June 30, 2006:

	<u>Bonded Debt</u>
Long-term obligations at Beginning of Year	\$ 306,219
Deductions	<u>36,609</u>
Long-term obligations at End of Year	<u>269,610</u>

The following is a summary of the current (due in one year or less ) and the long-term (due in more than one year) portions of long-term obligations as of June 30, 2006:

Town of Sunset, Louisiana  
Notes to the Financial Statements (Continued)

**Bonded Debt**

Current portion	\$ 41,689
Long-term portion	<u>227,921</u>
Total	269,610 =====

The municipal bonds outstanding at June 30, 2006, are general obligation bonds of \$40,000 with maturity in 2008, and revenue bonds of \$229,610 with maturity in 2015, respectively. Interest rates are 9% and 4 1/4%, respectively. Bond principal and interest payable in the next fiscal year are \$20,000 and \$21,689, and \$3,200 and \$10,488, respectively. The individual issues are as follows:

<u>Bond</u>	<u>Original Issue</u>	<u>Interest Rate</u>	<u>Final Payment Due</u>	<u>Interest to Maturity</u>	<u>Principal Outstanding</u>	<u>Funding Source</u>
General Obligation	4/1/88	9.00%	4/1/08	\$ 4,800	\$ 40,000	Property taxes
Utility Revenue	2/17/95	4.50%	2/17/15	49,256	229,610	Sales taxes

All principal and interest requirements are funded in accordance with Louisiana law by the annual ad valorem tax levy on taxable property within the parish. At June 30, 2006, the municipality has accumulated \$23,200 in the debt service funds for future debt requirements. The bonds are due as follows:

<u>Year Ending June 30,</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total</u>
2007	\$ 41,689	13,688	55,377
2008	42,328	11,598	53,926
2009 - 2013	135,223	25,661	160,884
2014 - 2015	<u>50,370</u>	<u>3,109</u>	<u>53,479</u>
Total	<u>269,610</u>	<u>54,056</u>	<u>323,666</u>

In accordance with R.S. 39:562, the municipality is legally restricted from incurring long-term bonded debt in excess of 35% of the assessed value of taxable property. At June 30, 2006, the statutory limit is \$3,657,000, and outstanding bonded debt totals \$269,610.

In addition, the municipality is legally restricted from incurring long-term bonded debt secured by sales and use taxes in excess of 75% of the avails of the tax. The municipality was within this 75% limitation in 1988, when the sales tax bonds were issued.

**11. RETIREMENT SYSTEMS**

Substantially all employees of the Town of Sunset, are members of the following statewide retirement systems: Municipal Employees Retirement System of Louisiana, or Municipal Police Employees Retirement System of Louisiana. These systems are cost-sharing, multiple-employer defined benefit pension plans administered by separate boards of trustees. Pertinent information relative to each plan follows:

**A. Municipal Employees Retirement System of Louisiana (System)**

*Plan Description.* The System is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. All employees of the municipality are members of (Plan A).



**Town of Sunset, Louisiana**  
**Notes to the Financial Statements (Continued)**

All permanent employees working at least 35 hours per week who are not covered by another pension plan and are paid wholly or in part from municipal funds and all elected municipal officials are eligible to participate in the System. Under Plan A, employees who retire at or after age 60 with at least 10 years of creditable service, at or after age 55 with at least 25 years of creditable service, or at any age with at least 30 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3% of their final-average salary for each year of creditable service. Furthermore, employees with at least 10 years of creditable service, but less than 30 years, may take early retirement benefits commencing at or after age 60, with the basic benefit reduced 3% for each year retirement precedes age 62, unless he has at least 30 years of creditable service. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Municipal Employees Retirement System of Louisiana, 7937 Office Park Boulevard, Baton Rouge, Louisiana 70809, or by calling (504) 925-4810.

*Funding Policy.* Under Plan A, members are required by state statute to contribute 9.25% of their annual covered salary and the Town of Sunset is required to contribute at an actuarially determined rate. The current rate is 5.75% of annual covered payroll. Contributions to the System also include one-fourth of 1% (except Orleans and East Baton Rouge parishes) of the taxes shown to be collectible by the tax rolls of each parish. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of the active members of each plan. The contribution requirements of plan members and the Town of Sunset are established and may be amended by state statute. As provided by R.S. 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The Town of Sunset contributions to the System under Plan A for the years ending June 30, 2006, 2005, and 2004, were \$14,388, \$13,435, and \$12,914, respectively, equal to the required contributions for each year.

**B. Municipal Police Employees Retirement System of Louisiana (System)**

*Plan Description.* All full-time police department employees engaged in law enforcement are required to participate in the System. Employees who retire at or after age 50 with at least 20 years of creditable service or at or after age 55 with at least 12 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3 1/3% of their final-average salary for each year of creditable service. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Municipal Police Employees Retirement System of Louisiana, 8401 United Plaza Boulevard, Baton Rouge, Louisiana 70809-2250, or by calling (504) 929-7411.

*Funding Policy.* Plan members are required by state statute to contribute 7.5% of their annual covered salary and the (Name of Municipality) is required to contribute at an actuarially determined rate. The current rate is 9.0% of annual covered payroll. The contribution requirements of plan members and the Town of Sunset are established and may be amended by state statute. As provided by R.S. 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The Town of Sunset contributions to the System for the years ending June 30, 2006, 2005, and 2004, were \$13,214, \$11,778, and \$10,336, respectively, equal to the required contributions for each year.

**12. RESERVED AND DESIGNATED RETAINED EARNINGS/FUND BALANCES**

The Debt Service Fund and the Utility Fund reserve \$23,200 and \$15,300 of their respective fund balance/retained earnings for bond retirement.

**Town of Sunset, Louisiana**  
**Notes to the Financial Statements (Continued)**

**13. FEDERAL COMPLIANCE CONTINGENCIES**

The Town of Sunset is subject to possible examinations by federal regulators who determine compliance with terms, conditions, laws and regulations governing grants given to the Town in the current and prior years. These examinations may result in required refunds by the Town to federal grantors and/or program beneficiaries. No questioned or disallowed costs were noted for inclusion in our report.

**14. RISK MANAGEMENT**

The Town of Sunset is exposed to all common perils associated with the ownership of infrastructure, providing public safety, and the operation of a utility system. To minimize loss occurrence and to transfer risk, the Town carries various commercial insurance policies including property, casualty, employee dishonesty, public official's liability, business auto and other miscellaneous policies. These policies are reviewed for adequacy by management annually.

**15. CONTINGENT LIABILITIES**

At June 30, 2006, the Town is involved in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the Town's attorney the resolution of these matters will not have a materially adverse effect on the financial condition of the Town.

**REQUIRED SUPPLEMENTAL INFORMATION**

## **BUDGET COMPARISON SCHEDULES**

**TOWN OF SUNSET, LOUISIANA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**GENERAL FUND**

For the Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Budget to GAAP</u>	<u>Actual Amount</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary Basis</u>	<u>Differences</u> <u>Over (Under)</u>	<u>GAAP Basis</u>
<b>Revenues</b>					
Property taxes	\$ 88,000	\$ 88,000	\$ 75,730		\$ 75,730
Licenses and permits	88,000	88,000	90,245		90,245
Franchise fees	111,500	111,500	142,114		142,114
Fines and forfeits	75,000	75,000	73,742		73,742
Charges for services	9,000	9,000	7,293		7,293
Intergovernmental	5,000	5,000	56,325		56,325
Miscellaneous	<u>74,700</u>	<u>74,700</u>	<u>73,531</u>		<u>73,531</u>
Total Revenues	<u>451,200</u>	<u>451,200</u>	<u>521,039</u>		<u>521,039</u>
<b>Expenditures</b>					
General - salaries	113,300	113,300	113,491		113,491
General - all others	134,600	134,600	176,155	( 32,578)	143,577
General - depreciation				9,061	9,061
Street - salaries	86,000	86,000	84,080		84,080
Street - all others	132,500	132,500	155,907	( 44,886)	111,021
Street - depreciation				5,028	5,028
Police - salaries	234,000	234,000	245,529		245,529
Police - all others	158,840	158,840	185,427	( 8,424)	177,003
Police - depreciation				19,953	19,953
Fire - salaries	22,000	22,000	22,464		22,464
Fire - all others	68,400	68,400	126,610	( 80,766)	45,844
Fire - depreciation				63,189	63,189
Health	<u>2,100</u>	<u>2,100</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>951,740</u>	<u>951,740</u>	<u>1,109,663</u>	<u>( 69,423)</u>	<u>1,040,240</u>
Excess (Deficiency) of Revenues					
Over (Under) Expenditures	<u>(500,540)</u>	<u>(500,540)</u>	<u>(588,624)</u>	<u>69,423</u>	<u>( 519,201)</u>
<b>Other Financing Sources</b>					
Transfers in	<u>400,000</u>	<u>400,000</u>	<u>483,401</u>	<u>-</u>	<u>483,401</u>
Total Other Financing Sources	<u>400,000</u>	<u>400,000</u>	<u>483,401</u>	<u>-</u>	<u>483,401</u>
Net Change in Fund Balance	<u>(100,540)</u>	<u>(100,540)</u>	<u>(105,223)</u>	<u>69,423</u>	<u>( 35,800)</u>
Fund Balance, Beginning	<u>203,140</u>	<u>203,140</u>	<u>203,140</u>	<u>479,454</u>	<u>682,594</u>
Fund Balance, Ending	<u>102,600</u>	<u>102,600</u>	<u>97,917</u>	<u>548,877</u>	<u>646,794</u>

Budget to GAAP differences are due to the capitalization and depreciation of capital assets, and the recording of long-term debt in the general fund.

The accompanying notes are an integral part of this statement.

**TOWN OF SUNSET, LOUISIANA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**SPECIAL REVENUE FUND**  
**For the Year Ended June 30, 2006**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Budget to GAAP</u>	<u>Actual Amount</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary Basis</u>	<u>Differences</u> <u>Over (Under)</u>	<u>GAAP Basis</u>
<b>Revenues</b>					
Sales taxes collected	\$201,000	\$201,000	\$243,275		\$243,275
Miscellaneous	<u>100</u>	<u>100</u>	<u>102</u>		<u>102</u>
<b>Total Revenues</b>	<u>201,100</u>	<u>201,100</u>	<u>243,377</u>		<u>243,377</u>
<b>Expenditures</b>					
Collection fees	1,500	1,500	3,035		1,660
Miscellaneous	<u>300</u>	<u>300</u>	<u>6,970</u>	<u>-</u>	<u>6,970</u>
<b>Total Expenditures</b>	<u>1,800</u>	<u>1,800</u>	<u>10,005</u>	<u>-</u>	<u>10,005</u>
<b>Excess (Deficiency) of Revenues</b>					
Over (Under) Expenditures	<u>172,400</u>	<u>172,400</u>	<u>233,372</u>	<u>-</u>	<u>233,372</u>
<b>Other Financing Uses</b>					
Transfers out	(200,000)	(200,000)	(246,730)	<u>-</u>	(246,730)
<b>Total Other Financing</b>					
<b>Uses</b>	<u>(200,000)</u>	<u>(200,000)</u>	<u>(246,730)</u>	<u>-</u>	<u>(246,730)</u>
<b>Net Change in Fund Balance ( 27,600)</b>	<b>( 27,600)</b>	<b>( 27,600)</b>	<b>( 13,358)</b>		<b>( 13,358)</b>
<b>Fund Balance, Beginning</b>	<u>35,925</u>	<u>35,925</u>	<u>35,925</u>	<u>-</u>	<u>35,925</u>
<b>Fund Balance, Ending</b>	<u>8,325</u>	<u>8,325</u>	<u>22,567</u>	<u>-</u>	<u>22,567</u>

The accompanying notes are an integral part of this statement.

## **OTHER SUPPLEMENTAL INFORMATION**

TOWN OF SUNSET, LOUISIANA  
ENTERPRISE FUND – UTILITY FUND  
COMPARATIVE SCHEDULE OF OPERATING EXPENSES  
For the Years Ended June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Gas department:		
Salaries	\$ 17,231	\$ 15,945
Payroll taxes	1,311	1,528
Retirement	2,715	1,921
Gas purchases	194,376	116,323
Insurances	8,790	4,492
Materials and supplies	6,959	8,551
Gasoline and auto	1,095	551
Office supplies and postage	1,785	1,938
Survey and analysis	7,441	7,158
Repairs and maintenance	3,146	1,699
Drug testing	694	819
Miscellaneous	4,799	2,011
Depreciation	<u>4,235</u>	<u>10,477</u>
Total gas department	<u>254,577</u>	<u>173,413</u>
Water department:		
Salaries	17,231	15,945
Payroll taxes	1,311	1,528
Auditing	4,200	
Retirement	2,715	1,921
Utilities	20,617	17,208
Insurances	12,923	5,670
Office supplies and postage	2,001	1,844
Materials and supplies	28,775	20,909
Engineering and consulting	24,442	17,780
Repairs and maintenance	6,303	1,269
Gasoline and auto	1,658	643
Telephone	1,494	1,670
Miscellaneous	6,478	3,659
Depreciation	<u>31,624</u>	<u>52,496</u>
Total water department	<u>161,772</u>	<u>142,542</u>
Sewer department:		
Salaries	17,231	15,945
Payroll taxes	1,311	1,528
Retirement	2,715	1,920
Insurances	7,733	3,917
Utilities	35,683	35,406
Gasoline and auto	5,860	3,275

The accompanying notes are an integral part of this statement.



	<u>2006</u>	<u>2005</u>
Repairs	\$ 9,575	\$ 9,196
Materials and supplies	3,243	5,364
Office supplies and postage	1,734	1,843
Survey and analysis/Engineering fees	12,343	11,440
Telephone	1,042	1,155
Miscellaneous	312	659
Depreciation	<u>138,603</u>	<u>149,386</u>
Total sewer department	<u>237,385</u>	<u>241,034</u>
 Total operating expenses	 <u>653,734</u>	 <u>556,989</u>

TOWN OF SUNSET, LOUISIANA  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 Year Ended June 30, 2006

<u>Federal Grantor/ Program Title</u>	<u>CFDA No.</u>	<u>Grant ID No.</u>	<u>Federal Award Received</u>	<u>Program Expenditures</u>
U.S. Dept. of Justice:				
Office of Community Policing	16.710	N/A	\$ 3,473	\$ 3,473
Federal Emergency Management Agency:				
Public Assistance Grant Program:				
Hurricane Katrina	83.544	N/A	<u>33,137</u>	<u>33,137</u>
Total federal assistance			<u>36,610</u>	<u>36,610</u>

**TOWN OF SUNSET, LOUISIANA**  
**SCHEDULE OF COMPENSATION PAID BOARD MEMBERS**  
**Year Ended June 30, 2006**

<b>Board Member</b>	<b>Amount</b>
Honorable Danny J. Louviere, Mayor	\$10,800
Honorable Dalton Belson, Jr., Alderman	5,400
Honorable Joseph Meche, Alderman	5,400
Honorable Bernice R. smith , Alderwoman	5,400
Honorable Joseph Guidry, Jr., Alderman	5,400
Honorable Lonnie Cormier, Alderman	<u>5,400</u>
Total	<u><u>37,800</u></u>

The accompanying notes are an integral part of this statement.

## **OTHER REPORTS**

**RICHARD C. URBAN**

**CERTIFIED PUBLIC ACCOUNTANT**

**MEMBER:**

AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS  
SOCIETY OF LOUISIANA  
CERTIFIED PUBLIC ACCOUNTANTS

**OFFICE:**

1112 HEATHER DRIVE  
OPELOUSAS, LOUISIANA 70570  
PHONE (337) 942-2154  
FAX (337) 948-3813

To the Mayor and Board of Aldermen  
Town of Sunset, Louisiana

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY  
GOVERNMENT AUDITING STANDARDS**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Sunset, Louisiana, as of and for the year ended June 30, 2006, which collectively comprise the Town's basic financial statements and have issued our report thereon dated December 8, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of Sunset, Louisiana's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Town of Sunset, Louisiana's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 2006-A- through 2006-A4.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our

consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 2006-A1 through 2006-A4 to be material weaknesses.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Sunset, Louisiana's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards which are described in the accompanying schedule of findings and questioned costs as items 2006-B- through 2006-B4.

This report is intended for the information of the Board of Commissioners, management, the Department of Housing and Urban Development, and the Legislative Auditor of the State of Louisiana, and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



Richard C. Urban, CPA

Opelousas, Louisiana  
December 8, 2006

TOWN OF SUNSET, LOUISIANA  
STATUS OF PRIOR AUDIT FINDINGS  
Year Ended June 30, 2006

Internal Control Over Financial Reporting

Finding 2005-A1

The previous audits indicated that the Town of Sunset had not complied with the legislative auditor's office by preparing and adopting written policies and procedures concerning the following areas:

Purchasing  
Disbursements  
Credit Cards  
Travel  
Investments  
Inventory control

The previous audit had recommended the formation of a committee of council members to complete the necessary policies and procedures manual.

Although this committee was formed, no work has been completed on preparing and adopting a policies and procedures manual for the Town of Sunset. This finding is not closed.

Compliance and Other Matters

Finding 2005-B1

The previous audit noted that the Town had failed to submit its annual audit within the prescribed six-month period.

The Council addressed this issue by hiring an assistant clerk to aid in the record keeping process.

The current audit is being submitted within the prescribed six-month period.

This finding is closed.

TOWN OF SUNSET, LOUISIANA  
SCHEDULE OF FINDINGS, RECOMMENDATIONS AND  
CORRECTIVE ACTION PLAN  
Year Ended June 30, 2006

SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of the Town of Sunset, Louisiana.
2. The auditor's report on Internal Control Over Financial Reporting and on Compliance and Other Matters required by Government Auditing Standards identified several reportable conditions that we believe to be material weaknesses (See below).
3. We also noted several instances of noncompliance material to the financial statements which are required to be reported in accordance with Government Auditing Standards.

FINDINGS

Internal Control Over Financial Reporting

2006 - A1 - As indicated in previous audits the Town of Sunset has not totally prepared and adopted written policies and procedures governing its operating and accounting activities in accordance with guidelines set forth by the Louisiana Legislative Auditor (Best Financial Practices). These include the areas of purchasing, disbursements, credit cards, travel, investments, and inventory control.

We recommend that the new mayor appoint a committee of council members to assist in completing the necessary policies and procedures. This should be done and adopted before the end of the 2006-2007 fiscal year.

The current mayor is deferring any action on this matter to the new administration.

2006-A2 The use of credit cards creates a risk factor that could provide opportunities for management or employees to misappropriate assets. The Town should have a written policy that provides guidance for the business use and supporting documentation expected to be maintained.

The mayor reestablished a credit card in the name of the Town and the previous mayor. This was done without the knowledge or consent of the previous mayor. The mayor is the only town official with access to this card.

We examined the credit card statements and supporting documentation for eleven periods. We found that all statements contained inadequate or improper documentation as to the validity of the purchases made. We also noted that several items charged to the credit card were for items that may be of a personal nature (i.e., steel-toed boots, digital camera). These personal nature items amount to \$980 of questioned costs.

Failure to require proper documentation for credit card charges could cause employees with access to these cards to misappropriate assets.

2006-A3 Accepted practice in good government requires that a travel policy should be adequate to meet the needs of the entity. Travel should be reasonable and done only when necessary and when such travel benefits the entity.

As indicated in finding 2006-A2, we examined credit card charges by the mayor for travel and conventions.



TOWN OF SUNSET, LOUISIANA  
SCHEDULE OF FINDINGS, RECOMMENDATIONS AND  
CORRECTIVE ACTION PLAN  
Year Ended June 30, 2006 (Continued)

Documentation for these charges is either inadequate or improper. The specific conventions or meetings attended could not be traced to the minutes or to council approval. The reasonableness of these charges could not be substantiated. As indicated in finding 2006-B3, the Town experienced significant budget overruns in the area of travel.

Failure to require proper documentation of travel expenditures could cause the abuse of travel costs by employees and may lead to the misappropriation of assets.

2006-A4 Reconciling the bank balances with the book balances is necessary to ensure that (1) all receipts and disbursements are recorded by the entity; (2) checks are clearing the bank in a reasonable time; (3) reconciling items are appropriate and are being recorded; and (4) the reconciled cash balance agrees to the general ledger cash balance.

The Town's payroll account had not been reconciled for the entire year.

Failure to timely reconcile bank accounts could lead to bank overdrafts or to the misappropriation of funds. In additions, L.R.S. 10:406(d)(2) allows the Town thirty days to examine bank statements and canceled checks for unauthorized signatures or alterations. After thirty days, the Town is precluded from asserting a claim against the bank for unauthorized signatures or alterations.

Compliance and Other Matters

2006 - B1 - L.R.S. 38:2212 requires that competitive bids be obtained for the purchase of materials or supplies exceeding \$20,000.

We examined the only invoice for materials exceeding \$20,000 and found that no bids were obtained prior to the purchase.

The failure to obtain competitive bids could cause the Town to pay more for its materials and supplies than necessary.

2006 - B2 - L.R.S. 38:2212 requires that at least three telephone or facsimile quotations be obtained and documented as part of the approval process for purchases of materials or supplies costing between \$10,000 and \$20,000.

We examined the six invoices for equipment/vehicle purchases between \$10,000 and \$20,000 and found that no telephone or facsimile quotes were obtained and documented.

The failure to obtain competitive price quotes could cause the Town to pay more for its materials or supplies than necessary.

2006 - B3 L.R.S. 39:1301-1315 requires that the Town adopt detailed procedures for preparing, adopting, monitoring and amending the budget.

Our examination of various expenditures indicated several budget overruns in controllable categories. In reviewing the minutes it appears that the council was never made aware of these overruns and no budget

**TOWN OF SUNSET, LOUISIANA  
SCHEDULE OF FINDINGS, RECOMMENDATIONS AND  
CORRECTIVE ACTION PLAN  
Year ended June 30, 2006 (Continued)**

amendments were adopted prior to the end of the fiscal year.

Failure to monitor and amend the budget when necessary could cause the administration to be unable to properly identify financial and program results, properly evaluate past decisions, properly facilitate the making of future decisions regarding resource allocation, properly communicating service and program results to the taxpaying public.

**2006- B4**

The Internal Revenue Service requires that a mileage log be maintained to document the business use of a vehicle that is being used by an employee and is being kept in that employees possession. Any personal use of that vehicle is considered to be a fringe benefit and should be added as income to that employee's W-2 statement for tax purposes.

The Mayor has had the use of a Town vehicle. The Town provides all gas, insurance, and repairs on that vehicle. Our examination disclosed that no mileage log has been maintained to properly document the business use of the vehicle. For the calendar year ended December 31, 2005, no fringe benefit amount was calculated and added to the mayor's tax statement.

The failure to properly monitor the business use of Town assets could lead to the abuse of this fringe benefit as well as to the misappropriation of assets.

RECEIVED  
LEGISLATIVE AUDITOR  
2007 MAR 20 AM 10:46

March 7, 2007

Richard C. Urban  
1112 Heather Drive  
Opelousas, LA 70570

RE: Management Response

The following is our response to your recommendation we received in the Town of Sunset, Louisiana's Financial Statements as of June 30, 2006.

2006-A1

The mayor has appointed a committee of council members to assist in completing the necessary policies and procedures, which will be complete before the end of the 2006-2007 fiscal year.

2006-A2

The Town will establish and enforce a written policy that provides guidance for the business use and supporting documentation expected to be maintained for all credit card purchases.

2006-A3

The Town will establish and enforce a written travel policy including approval and documentation requirements.

2006-A4

The Town will examine all bank statements and cancelled checks within thirty days and reconcile all bank balances with book balances in a timely manner.

2006-B1

The Town will obtain competitive bids for the purchase of materials or supplies exceeding \$20,000, as required by L.R.S. 38:2212, for future purchases.

2006-B2

The Town will obtain at least three telephone or facsimile quotations for purchases of materials or supplies costing between \$10,000 and \$20,000, as required by L.R.S. 38:2212, for future purchases.

2006-B3

The Town will adopt and implement detailed procedures for preparing, adopting, monitoring and amending the budget, as required by L.R.S. 39:1301-1315.

2006-B4

A mileage log will be maintained to document the business use of any vehicle that is being used by and kept in the possession of an employee. All personal use will be added to that employee's income for tax purposes.

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Cecil Lavergne- Mayor